

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

UNITED STATES POSTAL SERVICE NOTICE OF FILING ERRATA TO LIBRARY
REFERENCE H-111

The Postal Service hereby gives notice of the filing of errata to Library Reference H-111, *Dropship Savings for Periodicals and Standard (A)*, filed on July 10, 1997.

Revisions are summarized in an attachment to this Notice. Most consist of minor citation corrections. Replacement pages for LR-H-111 are attached to this notice.

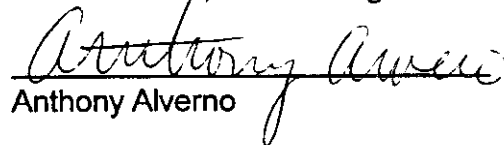
The Postal Service regrets any inconvenience these errors may have caused.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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Summary of Errata to USPS LR-H-111

- Page 3: A reference to Docket No. MC96-2, USPS LR-PRR-7 has been added.
- Page 4: A reference to USPS LR-H-195 has been added.
- Page 9: In Number 6, the reference to USPS LR-H-105 was changed to USPS LR-H-190 and Docket No. MC96-2, USPS LR-PRR-2.
- Page 14: A reference to USPS LR-H-195 has been added.
- Page 15: A reference to USPS LR-H-195 has been added.
- App. A, Table 1: The footnote has been revised to include USPS LR-H-195.
- App. A, Table 3: Under SCF and BMC Originating Mail, the labels defining the percentages have been changed.
- App. B, Table 1: Footnote 7 has been corrected. It now reads "cost per pound of the Intra-SCF" leg, instead of "cost per pound of the Inter-SCF" leg.
- App. B, Table 6: Footnotes 4 and 5 have been refined, and Footnotes 6 and 7 have been added.
- App. C, Tables 5-7: Above Table 6, the reference to USPS LR-H-195 has been added.
- App. C, Table 8: A reference to USPS LR-H-195 has been added.
- App. E, Table 1: Ibid.
- App. E, Table 2: Ibid.
- App. E, Table 3: Ibid.
- App. E, Table 8: Ibid.
- App. F, Sect. 4.0: Several references have been changed from USPS LR-H-105 to USPS LR-H-190.

App. G, Sect. 4.0: Several references have been changed from USPS LR-H-105 to Docket No. MC96-2, USPS LR-PRR-2.

3.0 Dropship Methodology

3.1 Standard Mail (A) Transportation Methodology

This section reviews the existing methodology for estimating the transportation cost savings that result from bulk rate Standard Mail (A) that is dropshipped to the DBMC, DSCF, and DDU. As stated above, this methodology was last presented in USPS-T-9, Docket No. MC95-1,

and USPS LR-PRR-7, Docket No. MC96-2.

The first step in the methodology is to calculate how much transportation cost the Postal Service would avoid, per pound, if all bulk rate Standard Mail (A) were dropshipped by the mailer to the DDU. In this scenario, the Postal Service would avoid most purchased transportation costs and certain postal-owned vehicle costs. Dividing total test year (TY) adjusted Standard Mail (A) transportation costs by total TY Standard Mail (A) pounds yields 5.56 cents, which is the cost per pound incurred by the Postal Service to transport the total volume of bulk rate Standard Mail (A) to the DDU (see Appendix B). Once the unit cost to the Postal Service of transporting all Standard Mail (A) to the DDU has been calculated, the transportation equation used by Mr. Acheson¹ can be set up:

Transportation Equation: $(Y^{origin} \cdot X^{origin}) + (Y^{DBMC} \cdot X^{DBMC}) + (Y^{DSCF} \cdot X^{DSCF}) = 5.56$

Y^{origin} : Percentage of mail that is dropshipped to non-destination facilities or plantloaded to all facilities.
 X^{origin} : Unit cost to the Postal Service of transporting Y^{origin} to the destination delivery unit.

Y^{DBMC} : Percentage of mail that is dropshipped to a destination BMC.
 X^{DBMC} : Unit cost to the Postal Service of transporting Y^{DBMC} to the destination delivery unit.

Y^{DSCF} : Percentage of mail that is dropshipped to a destination SCF.
 X^{DSCF} : Unit cost to the Postal Service of transporting Y^{DSCF} to the destination delivery unit.

5.56: Unit cost to the Postal Service of transporting all Standard Mail (A) to the destination delivery unit.

The purpose of the equation is to calculate the cost savings to the Postal Service when mail is dropshipped at the DBMC, the DSCF, and the DDU.

¹ Docket No. MC95-1, USPS-T-9, page 3.

First, an estimate is made for all variables in the equation except X^{origin} . Next, the equation can be solved for a value of X^{origin} , which represents the costs avoided by mail that is dropshipped to the DDU. The value of $(X^{\text{origin}} - X^{\text{DBMC}})$ represents the costs avoided by mail that is dropshipped to the DBMC. The value of $(X^{\text{origin}} - X^{\text{DSCF}})$ represents the costs avoided by mail that is dropshipped to the DSCF.

Estimates for the percentage of mail dropshipped to origin and destination facilities (Y^{origin} , Y^{DBMC} , and Y^{DSCF}) come from mail characteristics data presented in USPS LR-H-105 and USPS LR-H-195. The method for obtaining values for the X variables (X^{DBMC} and X^{DSCF}), which are the unit costs for transporting Y^{DBMC} and Y^{DSCF} to the DDU, are derived using Mr. Acheson's mail flow methodology.² These values are estimated using a three-step process. First, total TY volume variable transportation costs are divided into three categories: Intra-BMC, Intra-SCF, and Other. Transportation costs are divided in this manner because only the costs on Intra-BMC and Intra-SCF transportation legs are needed in order to solve the transportation equation. Second, the amount of test year pounds travelled on Intra-BMC and Intra-SCF legs is calculated. These estimates are derived using the entry profile data and mail flowpath model. Third, the costs on each leg are divided by the pounds to yield the cost per pound on both Intra-BMC and Intra-SCF transportation legs.

When the equation is solved, X^{origin} equals 11.08 cents, X^{DBMC} equals 3.39 cents and X^{DSCF} equals 2.02 cents. Therefore, the transportation cost avoidance per pound for dropshipping bulk rate Standard Mail (A) to the DBMC is 7.69 cents per pound, the transportation cost avoidance per pound for dropshipping bulk rate Standard Mail (A) to the DSCF is 9.06 cents per pound, and the transportation cost avoidance per pound for dropshipping bulk rate Standard Mail (A) to the DDU is 11.08 cents per pound.

² Docket No. MC95-1, USPS-T-9, pages 8-12.

1. The volume variability of the productivities (USPS-T-12, Table 4).
2. Test Year 1998 Clerk/Mailhandler Wage Rate (USPS LR-H-146).
3. Premium Pay Factor (USPS LR-H-77).
4. Piggyback Factors (USPS LR-H-77).
5. Base Year 1996 Pieces per Pound (1996 RPW).
6. Pieces per sack and pallet from Mail Characteristics Data (USPS LR-H-190, and USPS LR-PRR-2, Docket No. MC96-2).
7. The proportion of mail in sacks and on pallets (USPS LR-H-105).

avoidance estimates in MC96-2. Because of the new methodology for calculating mail processing costs, it is impossible to calculate a LIOCATT platform cost benchmark. Because the benchmark costs are no longer available, the CRA reconciliation was not included in this analysis.

Since this analysis closely resembles witness Acheson's work, many of the inputs come directly from Docket No. MC96-2, USPS LR-PRR-7, including:

1. The proportion of mail on each of the flowpaths (Docket No. MC96-2, Exhibit USPS LR-PRR-7B).
2. The probability of each operation occurring for each container and sort level (Docket No. MC96-2, USPS LR-PRR-7, pages 21-35).
3. MTM productivities for each operation (Docket No. MC96-2, USPS LR-PRR-7, pages 40-42).
4. Personal Needs, Fatigue and Delay (P,F, and D) Factor (Docket No. MC91-3, Exhibit USPS-T-2D at 4, footnote 4).
5. The Input Percentages for Sack and Tray Models (Docket No. MC96-2, USPS LR-PRR-7, pages 36-39).
6. BMC Realization Factor (Docket No. R94-1, Tr. 8/4006).

Many of the inputs were changed and updated for Docket No. R97-1. These changes and where they are located are listed here.

1. Standard Mail (A) Entry Point Profile from Mail Characteristics Data (USPS LR-H-105, and USPS LR-H-195).
2. Test Year 1998 Bulk Rate Pieces (Exhibit USPS-6A).
3. Base Year 1996 Bulk Rate Pieces and Pounds (1996 RPW).
4. Volume Variability of MTM Productivities (USPS-T-12, Table 4).
5. Overhead Factors (USPS LR-H-146, Part 7).
6. Piggyback Factors (USPS LR-H-77).

Appendix A, Table 1
Entry Profile For Bulk Standard Mail (A) in Pounds 1/

Point of Deposit		Percent Dropshipped	Percent Plantloaded	Total
Originating DU	(ODU)	3.94%	0.67%	4.61%
Originating SCF	(OSCF)	10.81%	0.65%	11.46%
Originating BMC	(OBMC)	2.53%	14.96%	17.48%
Destinating BMC	(DBMC)	28.31%	0.90%	29.20%
Destinating SCF	(DSCF)	35.58%	0.55%	36.13%
Destinating DU	(DDU)	1.11%	0.00%	1.11%
Totals		82.28%	17.72%	100.00%

Appendix A, Table 3
Development of Mail Flow Proportions

Flowpath Proportions

OA0 Originating Mail			
Percent Transported to BMC	22.60%		<u>1/</u>
% to both OBMC and DBMC (keyed twice)	57.31%		<u>2/</u>
% to DBMC only (keyed once)	42.69%		<u>3/</u>
Percent Transported to SCF	77.40%		<u>4/</u>
% Transported to OSCF	49.60%		<u>5/</u>
% Transported to DSCF	50.40%		<u>6/</u>
% Delivered Directly From DSCF		3.14%	<u>7/</u>
% that Continues to Another Facility		96.86%	<u>8/</u>
SCF and BMC Originating Mail			
Percent Transported to BMC	76.11%		<u>9/</u>
% Transported to DBMC	42.69%		<u>10/</u>
% Transported to OBMC	57.31%		<u>11/</u>
Percent Transported to SCF	23.89%		<u>12/</u>
% Transported to DSCF	96.86%		<u>13/</u>
% Transported to DDU	3.14%		<u>14/</u>

Flow Number	Origin of the Flow	Description of the Flow	% From Origin	<u>15/</u>
1	OA0	OA0 - DDU	1.22%	<u>16/</u>
2	OA0	OA0 - DSCF	37.78%	<u>17/</u>
3	OA0	OA0 - OSCF	38.39%	<u>18/</u>
4	OA0	OA0 - OBMC	12.95%	<u>19/</u>
5	OA0	OA0 - DBMC	9.65%	<u>20/</u>
			<u>100.00%</u>	<u>21/</u>
6	OSCF	OSCF - DBMC	32.49%	<u>22/</u>
7	OSCF	OSCF - OBMC	43.62%	<u>23/</u>
8	OSCF	OSCF - DSCF	23.14%	<u>24/</u>
9	OSCF	OSCF - DDU	0.75%	<u>25/</u>
			<u>100.00%</u>	<u>26/</u>
10	OBMC	OBMC - DBMC	100.00%	<u>27/</u>
11	DBMC	DBMC - DSCF	96.86%	<u>28/</u>
12	DBMC	DBMC - DDU	3.14%	<u>29/</u>
			<u>100.00%</u>	<u>30/</u>
13	DSCF	DSCF - DDU	100.00%	<u>31/</u>

1/ - 14/ See Docket No. MC95-1, Exhibit USPS-T-9B, and Docket No. MC96-2, USPS LR-PRR-7.

15/ See Docket No. MC95-1, Exhibit USPS-T-9B.

16/ Equals Row 4/ * Row 6/ * Row 7/

17/ Equals Row 4/ * Row 6/ * Row 8/

18/ Equals Row 4/ * Row 5/

19/ Equals Row 1/ * Row 2/

20/ Equals Row 1/ * Row 3/

21/ Equals the sum of Rows 16/ through 20/. This figure equals 100%, accounting for all mail that originates at the OA0.

22/ Equals Row 9/ * Row 10/

23/ Equals Row 9/ * Row 11/

24/ Equals Row 12/ * Row 13/

25/ Equals Row 12/ * Row 14/

26/ Equals the sum of Rows 22/ through 25/. This figure equals 100%, accounting for all mail that originates at the OSCF.

27/ 100% of all mail that originates at an OBMC destinations at a DBMC.

28/ Equals Row 13/

29/ Equals Row 14/

30/ Equals the sum of Rows 28/ through 29/. This figure equals 100%, accounting for all mail that originates at the DBMC.

31/ 100% of all mail that originates at a DSCF destinations at a DDU.

Appendix B, Table 1 **Results**

Transportation Equation: $(Y^{origin} \cdot X^{origin}) + (Y^{DBMC} \cdot X^{DBMC}) + (Y^{DSCF} \cdot X^{DSCF}) = Z^T$ 1/

- Y^{origin} : Percentage of mail that is dropshipped to non-destination facilities or plantloaded to all facilities.
 X^{origin} : Unit cost to the Postal Service of transporting Y^{origin} to the destination delivery unit.
 Y^{DBMC} : Percentage of mail that is dropshipped to a destination BMC.
 X^{DBMC} : Unit cost to the Postal Service of transporting Y^{DBMC} to the destination delivery unit.
 Y^{DSCF} : Percentage of mail that is dropshipped to a destination SCF.
 X^{DSCF} : Unit cost to the Postal Service of transporting Y^{DSCF} to the destination delivery unit.
 Z^T : Unit cost to the Postal Service of transporting all Standard Mail (A) to the destination delivery unit.

Solving the Equation:

Y^{origin} :	35.00%	2/
X^{origin} :	Solve for this variable.	3/
Y^{DBMC} :	28.31%	4/
X^{DBMC} :	\$0.0339	5/
Y^{DSCF} :	35.58%	6/
X^{DSCF} :	\$0.0202	7/
Z^T :	\$0.0556	8/
	X^{origin} :	\$0.1108 9/

Cost Avoidances:

Point of Dropshipment	Cost Avoidances	
DDU	\$0.1108	10/
DSCF	\$0.0906	11/
DBMC	\$0.0769	12/

- Row 1/ For a more detailed explanation of the transportation equation, see Docket No. MC95-1, USPS-T-9, page 3.
Row 2/ This figure is equal to the percentage of mail that is dropshipped to non-destination facilities, plus the percentage of mail that is plantloaded to all facilities. See Table 1 of Appendix A.
Row 3/ This variable is unknown. The equation will be solved to find X^{origin} .
Row 4/ Equals the percentage of mail that is dropshipped to all DBMCs. See Table 1 of Appendix A.
Row 5/ Equals cost per pound of the Intra-BMC leg, plus 96.86% of cost per pound of the Intra-SCF leg. See Table 8 of this Appendix. This is because 3.14% of mail is assumed to travel directly to the DDU from the DBMC. See Docket No. MC95-1, USPS-T-9, page 12.
Row 6/ Equals the percentage of mail that is dropshipped to all DSCFs. See Table 1 of Appendix A.
Row 7/ Equals cost per pound of the Intra-SCF leg. See Table 4 of this Appendix.
Row 8/ Z^T is the unit cost to the Postal Service of transporting all Standard Mail (A) to the DDU. See Table 2 of this Appendix.
Row 9/ In solving the equation, X^{origin} is equal to this figure.
Row 10/ Equals Row 9/.
Row 11/ Equals Row 9/ minus Row 7/. This is the cost avoidance for dropshipping to a DSCF.
Row 12/ Equals Row 9/ minus Row 5/. This is the cost avoidance for dropshipping to a DBMC.

Appendix B, Table 6
Projection of Standard Mail (A) Base Year Transportation Costs into Test Year Costs

	[1]	[2]	[3]
Account	Base Year Costs	Projection Factor	Test Year Costs
Domestic Airmail			
Loose sack container rate & CNET	\$14,273	1.2770	\$18,226
Intra-Alaska preferential	\$2,202	1.2770	\$2,812
Intra-Alaska non-preferential	\$942	1.2770	\$1,203
Intra-Hawaii	\$1,088	1.2770	\$1,389
Network	\$296	1.2770	\$378
Western air	\$26	1.2770	\$33
Air taxi	\$771	1.2770	\$985
Highway Service			
Intra-SCF	\$71,564	1.2489	\$89,373
Intra-BMC	\$68,351	1.2489	\$85,360
Inter-SCF	\$21,996	1.2489	\$27,470
Inter-BMC	\$71,338	1.2489	\$89,091
Postal-Owned Vehicle Costs (RR)	\$90,000	6/ 1.549	4/ \$139,410
Postal-Owned Vehicle Costs (NP)	\$9,454	7/ 1.557	5/ \$14,720
Plant loaded	\$10,843	1.2489	\$13,541
Contract term van damage	\$381	1.2489	\$476
Area bus	\$0	1.2489	\$0
Empty equipment	\$777	1.2489	\$970
Alaskan highway service	\$2,649	1.2489	\$3,308
Railroad Service			
Passenger rail	\$3,285	1.1739	\$3,856
Freight rail	\$68,322	1.1739	\$80,202
Plant loaded	\$6,005	1.1739	\$7,049
Damage and Empty equipment	\$7,034	1.1739	\$8,257
Domestic Water			
Inland	\$211	1.1982	\$253
Offshore	\$8,407	1.1982	\$10,073

Column [1] From Alexandrovich WP B.14.

Column [2] See Table 5 of this Appendix.

Column [3] Equals Column [1] multiplied by Column [2].

Row 4/ From USPS LR-H-77. This figure is the Vehicle Service Driver Standard Mail (A) RR Piggyback factor.

Row 5/ From USPS LR-H-77. This figure is the Vehicle Service Driver Standard Mail (A) NP Piggyback factor.

Row 6/ The POV Vehicle Service Driver costs are from the Test Year.

Row 7/ Ibid.

Appendix C, Tables 5-7
Calculation of Nontransportation Costs
By Container Type and By Facility

For the purposes of this study, there are fifteen possible facility/container combinations for which costs need to be estimated. Appendix D of this document contains 15 mail flow models, one for each of the facility/container scenarios. The models show the operations needed to process a container from the point that it is unloaded at the incoming dock to the point that it is loaded onto an outgoing vehicle. A total time to process a particular container through a specific facility is arrived at by weight-averaging the time needed to perform each required operation on the basis of such factors as the source of the mail at the facility's unloading dock, the likelihood that a container will be sorted on a sack sorting machine, and the proportion of volume that will receive a direct runout onto a vehicle as opposed to a sort in a sawtooth operation prior to being loaded. Because engineering standards were used to estimate the time needed for each operation, the following factors were multiplied by the weight-averaged time (and thus cost) per container/facility to align the result with postal costs as determined by the CRA: a P, F, & D factor of 1.15%, a mail processing overhead factor, an appropriate piggyback factor, a BMC realization factor (.9713) for application to BMC costs only, and an FY 1998 clerk/mailhandler average hourly wage rate that is multiplied by a premium pay factor and divided by 60 (the minutes in an hour). Finally, the resulting cost per container is divided by the average weight of that container to obtain an overall cost per pound for each container/facility combination. The following costs per pound were generated from Appendix D of this document:

TABLE 5

	SACK	TRAY	PALLET
Originating AO	\$0.000301	\$0.001341	\$0.002213
Originating SCF	\$0.004276	\$0.018366	\$0.005726
Originating BMC	\$0.015875	\$0.022794	\$0.004701
Destinating BMC	\$0.014491	\$0.018552	\$0.003374
Destinating SCF	\$0.016927	\$0.020719	\$0.004331

The above costs must be weight-averaged in order to obtain an overall cost per facility. Table 6 below provides the requisite proportions for weighting the container costs for each facility type. The pound volumes shown in Table 6 were derived from Table 8 of this appendix from data from USPS LR-H-105 and USPS LR-H-105.

TABLE 6

	SACK	TRAY	PALLET	TOTAL
Originating AO	204,902,467 49.52%	196,955,440 47.60%	11,886,144 2.87%	413,744,050
Originating SCF	387,250,006 37.61%	447,860,624 43.49%	194,608,635 18.90%	1,029,719,264
Originating BMC	402,435,365 25.62%	587,549,158 37.41%	580,635,604 36.97%	1,570,620,128
Destinating BMC	434,496,389 16.56%	229,766,275 8.76%	1,958,977,122 74.68%	2,623,239,787
Destinating SCF	170,943,451 5.27%	449,607,980 13.85%	2,625,285,213 80.88%	3,245,836,644

The results of weight-averaging, by facility, the costs per container shown in Table 5 by the appropriate proportions in Table 6 are shown below in column (a).

TABLE 7

	(a)		(b)
Originating AO	0.000851	or	0.09 cents
Originating SCF	0.010678	or	1.07 cents
Originating BMC	0.014333	or	1.43 cents
Destinating BMC	0.006545	or	0.65 cents
Destinating SCF	0.007264	or	0.73 cents

Appendix C, Table 8

Breakout of Base Year Standard Mail (A) Pounds
By Container Type and By Facility

The pieces and pounds totals were taken from an entry point profile provided by Christensen Associates (USPS LR-1105 and USPS LR-H-195). The "pound" profiles generated are used in Table 5 of this appendix to weight the facility/container costs shown in Table 4 on that same page.

	PIECES			POUNDS		
	SACK	TRAY	PALLET	SACK	TRAY	PALLET
ORIGINATING DU	681,202,424	3,160,812,383	228,027,328	204,902,467	196,955,440	11,886,144
ORIGINATING SCF	1,849,919,491	7,745,831,421	1,598,326,804	387,250,006	447,880,624	194,608,635
ORIGINATING BMC	2,521,586,850	7,627,876,102	5,280,918,383	402,435,365	587,549,158	580,835,604
DESTINATING BMC	2,400,645,147	2,148,674,772	12,788,791,861	434,496,389	229,766,275	1,958,977,122
DESTINATING SCF	1,065,188,921	4,821,473,679	16,307,020,379	170,943,451	449,607,980	2,625,265,213
DESTINATING DU	76,196,414	767,258,349	470,577,411	10,710,735	34,511,920	54,705,328
TOTALS	8,594,739,246	26,271,926,705	36,673,661,966	1,610,738,413	1,946,251,397	5,426,098,046

Appendix E, Table 1
Computation of Input Percentages for Sack Models

Deposit Points	Dropshipped	Plantloaded	DS + PL	Dropshipped	Plantloaded	Total By Pounds
OAO	0.1458 +	0.0018 =	0.1476	199,002,873 +	2,417,670 =	201,420,542
OSCF	0.2015 +	0.0149 =	0.2164	275,022,600 +	20,288,122 =	295,310,722
OBMC	0.0052 +	0.2444 =	0.2496	7,067,253 +	333,547,397 =	340,614,650
DBMC	0.2983 +	0.0142 =	0.3125	407,124,671 +	19,349,883 =	426,474,554
DSCF	0.0682 +	0.0000 =	0.0682	93,128,556 +	0 =	93,128,556
DAO	0.0056 +	0.0000 =	0.0056	7,708,985 +	0 =	7,708,985
Totals	0.7248	0.2752	1.0000	989,054,937	375,603,072	1,364,658,009

Origin	By Volume	Proportions	Total Pct	By Pounds	Dest	Flow	Type of Trans
OAO	201,420,542	0.7740	0.5040	0.0314	0.0122	2,467,203 DAO	1 Intra-SCF
		0.7740	0.5040	0.9686	0.3778	76,106,145 DSCF	2 Intra-SCF
		0.7740	0.4960		0.3839	77,326,152 OSCF	3 Intra-SCF
		0.2260	0.5731		0.1295	26,088,109 OBMC	4 Intra-BMC
		0.2260	0.4269		0.0965	19,432,933 DBMC	5 Intra-BMC
OSCF	372,636,874	0.7611	0.4269		0.3249	121,074,784 DBMC	6 Intra-BMC
		0.7611	0.5731		0.4362	162,539,140 OBMC	7 Intra-BMC
		0.2389	0.9686		0.2314	86,227,629 DSCF	8 Inter-SCF
		0.2389	0.0314		0.0075	2,795,321 DAO	9 Inter-SCF
OBMC	529,241,900	1.0000		1.0000		529,241,900 DBMC	10 Inter-BMC
DBMC	1,096,224,171	0.9686		0.9686		1,061,802,732 DSCF	11 Intra-BMC
		0.0314		0.0314		34,421,439 DAO	12 Intra-BMC
DSCF	1,154,931,288 162,333,773	1.0000		1.0000		1,154,931,288 DAO	13 Intra-SCF
		1.0000				162,333,773 DAO	13 Intra-SCF
DAO	1,364,658,009	0.0000					

Deposit Points	Source	Volume	Percentage
OSCF	Mailer	275,022,600	73.80%
	Service Area	97,614,274	26.20%
	Total	372,636,874	100.00%
OBMC	Mailer	7,067,253	1.34%
	Plantload	333,547,397	63.02%
	Service Area	188,627,250	35.64%
	Total	529,241,900	100.00%
DBMC	Mailer	407,124,671	37.14%
	Plantload	19,349,883	1.77%
	Service Area	140,507,718	12.82%
	OBMC	529,241,900	48.28%
	Total	1,096,224,171	100.00%
DSCF	Mailer	93,128,556	7.07%
	Service Area	162,333,773	12.32%
	Plantload	0	0.00%
	DBMC	1,061,802,732	80.61%
	Total	1,317,265,061	100.00%

This table assigns TY pounds for each deposit point (USPS LR-H-105 and USPS LR-H-185) to the mail flow proportions (Appendix A, Table 3), in order to calculate the probabilities that deposited mail will receive an operation or handling.

Appendix E, Table 2
Computation of Input Percentages for Tray Models

Deposit Points	Dropshipped		Plantloaded		DS + PL	Dropshipped		Plantloaded		Total By Pounds
OAO	0.0737	+	0.0341	=	0.1078	110,549,943	+	51,224,913	=	161,774,855
OSCF	0.1832	+	0.0024	=	0.1956	289,922,215	+	3,539,575	=	293,461,790
OBMC	0.0155	+	0.2676	=	0.2831	23,189,494	+	401,541,709	=	424,731,203
DBMC	0.1256	+	0.0103	=	0.1359	188,455,504	+	15,450,571	=	203,906,075
DSCF	0.2811	+	0.0011	=	0.2821	391,699,435	+	1,576,519	=	393,275,954
DAO	0.0154	+	0.0001	=	0.0155	23,114,558	+	103,740	=	23,218,298
Totals	0.6845		0.3155		1.0000	1,026,931,148		473,437,027		1,500,368,175

Origin	By Volume		Proportions		Total Pct	By Pounds	Dest	Flow	Type of Trans
OAO	161,774,855		0.7740	0.5040	0.0314	0.0122	1,981,583 DAO	1	Intra-SCF
			0.7740	0.5040	0.9686	0.3778	81,126,141 DSCF	2	Intra-SCF
			0.7740	0.4960	0.3839	0.3839	62,106,014 OSCF	3	Intra-SCF
			0.2260	0.5731	0.1295	0.1295	20,953,176 OBMC	4	Intra-BMC
			0.2260	0.4269	0.0965	0.0965	15,607,941 DBMC	5	Intra-BMC
OSCF	355,567,804		0.7611	0.4269	0.3249	0.3249	115,528,812 DBMC	6	Intra-BMC
			0.7611	0.5731	0.4362	0.4362	155,093,644 OBMC	7	Intra-BMC
			0.2389	0.9686	0.2314	0.2314	82,277,871 DSCF	8	Inter-SCF
			0.2389	0.0314	0.0075	0.0075	2,667,278 DAO	9	Inter-SCF
OBMC	600,778,223		1.0000		1.0000	600,778,223	DBMC	10	Inter-BMC
DBMC	935,821,051		0.9686		0.9686	906,436,270	DSCF	11	Intra-BMC
			0.0314		0.0314	29,384,781	DAO	12	Intra-BMC
DSCF	1,299,712,224		1.0000		1.0000	1,299,712,224	DAO	13	Intra-SCF
	143,404,012		1.0000			143,404,012	DAO	13	Intra-SCF
DAO	1,500,368,175		0.0000						

Deposit Points	Source	Volume	Percentage
OSCF	Mailer	289,922,215	81.54%
	Service Area	65,645,589	18.46%
	Total	355,567,804	100.00%
OBMC	Mailer	23,189,494	3.86%
	Service Area	577,588,729	96.14%
	Total	600,778,223	100.00%
DBMC	Mailer	188,455,504	20.14%
	Service Area	146,587,324	15.66%
	OBMC	600,778,223	64.20%
	Total	935,821,051	100.00%
DSCF	Mailer	391,699,435	27.14%
	Service Area	143,404,012	9.94%
	Plantload	1,576,519	0.11%
	DBMC	906,436,270	62.81%
	Total	1,443,116,236	100.00%

This table assigns 17 pounds for each deposit point (USPS LR H-105 and USPS LR H-195) to the mail flow proportions (Appendix A, Table 3), in order to calculate the probabilities that deposited mail will receive an operation or handling.

Appendix E, Table 3
Computation of Input Percentages for Pallet Models

Deposit Points	Dropshipped	Plantloaded	DS + PL	Dropshipped	Plantloaded	Total By Pounds
OAO	0.0003 +	0.0004 =	0.0007	1,560,999 +	1,883,029 =	3,444,028
OSCF	0.0338 +	0.0017 =	0.0355	178,917,541 +	9,198,174 =	188,115,715
OBMC	0.0241 +	0.0791 =	0.1032	127,648,080 +	418,851,595 =	546,499,675
DBMC	0.3562 +	0.0059 =	0.3621	1,886,030,242 +	31,367,522 =	1,917,397,764
DSCF	0.4794 +	0.0088 =	0.4882	2,538,337,717 +	46,734,109 =	2,585,071,826
DAO	0.0103 +	0.0000 =	0.0103	54,705,328 +	0 =	54,705,328
Totals	0.9041	0.0959	1.0000	4,787,199,908	508,034,429	5,295,234,337

Origin	By Volume	Proportions	Total Pct	By Pounds	Dest	Flow	Type of Trans
OAO	3,444,028	0.7740 0.5040 0.0314	0.0122	42,186	DAO	1	Intra-SCF
		0.7740 0.5040 0.9686	0.3778	1,301,316	DSCF	2	Intra-SCF
		0.7740 0.4960 0.3839	0.3222	1,322,176	OSCF	3	Intra-SCF
		0.2260 0.5731 0.1295	0.4460	446,073	OBMC	4	Intra-BMC
		0.2260 0.4269 0.0965	0.3322	332,278	DBMC	5	Intra-BMC
OSCF	189,437,891	0.7611 0.4269 0.3249	0.6155	61,550,945	DBMC	6	Intra-BMC
		0.7611 0.5731 0.4362	0.8263	82,630,234	OBMC	7	Intra-BMC
		0.2389 0.9686 0.2314	0.4383	43,835,651	DSCF	8	Inter-SCF
		0.2389 0.0314 0.0075	0.1421	1,421,061	DAO	9	Inter-SCF
OBMC	629,575,982	1.0000	1.0000	629,575,982	DBMC	10	Inter-BMC
DBMC	2,608,856,969	0.9686 0.0314	0.9686 0.0314	2,526,938,860	DSCF	11	Intra-BMC
				81,918,109	DAO	12	Intra-BMC
DSCF	5,112,010,686	1.0000	1.0000	5,112,010,686	DAO	13	Intra-SCF
	45,136,967	1.0000		45,136,967	DAO	13	Intra-SCF
DAO	5,295,234,337	0.0000					

Deposit Points	Source	Volume	Percentage
OSCF	Mailier	178,917,541	94.45%
	Service Area	10,520,350	5.55%
	Total	189,437,891	100.00%
OBMC	Mailier	127,648,080	20.28%
	Service Area	501,927,901	79.72%
	Total	629,575,982	100.00%
DBMC	Mailier	1,886,030,242	72.29%
	Service Area	93,250,745	3.57%
	OBMC	629,575,982	24.13%
	Total	2,608,856,969	100.00%
DSCF	Mailier	2,538,337,717	49.22%
	Service Area	91,871,076	1.78%
	DBMC	2,526,938,860	49.00%
	Total	5,157,147,653	100.00%

This table assigns FY pounds for each deposit point (USPS LR-H-105 and USPS LR-H-185) to the mail flow proportions (Appendix A, Table 3), in order to calculate the probabilities that deposited mail will receive an operation or handling.

Appendix E, Table 8
Adjustments made to Handling Times to Convert them to Costs

Personal Needs, Fatigue, and Delay (P, F, and D factor): 1.15 ¹

Overhead Factors:	SCF Platform	1.539 ²
	SCF Manual Sack Sort	1.559 ²
	ACDCS Scanning	1.374 ²
	BMC Platform	1.466 ²
	BMC Sack Sorting Machine	1.408 ²
	Non-MODS	1.201 ²

Piggyback factors:

Operation	All Facilities	BMC	Non-BMC
Opening Units	1.610 ³		
Other mail processing	1.405 ³		
Platform		2.125 ³	1.844 ³
Sack sorting machining		2.414 ³	1.942 ³

FY 1998 Average Hourly Wage Rate for Clerks/Mailhandlers \$25.45 ⁴

Premium Pay Factor 0.958 ⁵

BMC Realization Factor 0.9713 ⁶

Pieces per Sack 141 ⁷

Pieces per Tray 188 ⁷

Pieces per Pallet 5763 ⁷

1. Personal Needs, Fatigue and Delay Factor (Docket No. MC96-2, USPS LR-PRR-7).

2. Mail Processing operation specific overhead factors for modeled costs (USPS LR-H-146, Part 7).

3. USPS LR-H-77.

4. USPS LR-H-146.

5. USPS LR-H-77.

6. R94-1, Tr. 8/4006.

7. USPS LR-H-105 and USPS LR-H-195.

Estimation of Nontransportation Costs Avoided by Periodicals Regular Rate Flats Mail Entered at Destination Sectional Center Facilities and Delivery Units

4.0 Other Inputs

<u>Value</u>	<u>Description</u>	<u>Source</u>
\$25.45	TY clerk/mailhandler productive hourly wage rate	USPS LR-H-146
31.72	pieces per sack	USPS LR-H-190
1,658.93	pieces per pallet	USPS LR-H-190
11.13%	proportion of SCFs that are mechanized	52 of 467 SCFs-Witness Byrne, MC95-1, Exhibit USPS-T-11U, page 2
88.87%	proportion of SCFs that are not mechanized	415 of 467 SCFs-Witness Byrne, MC95-1, Exhibit USPS-T-11U, page 2
44.33%	proportion of mail in sacks	USPS LR-H-190
55.67%	proportion of mail on pallets	USPS LR-H-190
1.007	Base Year FY 96 premium pay factor	USPS LR-H-77
2.1486	FY 96 (BY) pieces per pound	1996 RPW
0.9713	FY 93 BMC realization factor	R94-1, Tr. 8/4006
96.86%	proportion of volume from DBMCs to DDU via DSCFs	R90-1, Exhibit USPS-12B, p. 5
3.14%	proportion of volume from DBMCs directly to DDUs	R90-1, Exhibit USPS-12B, p. 5
2.414	piggyback factor for sack sorters at BMCs	USPS LR-H-77
1.942	piggyback factor for sack sorters at non-BMCs	USPS LR-H-77
2.125	piggyback factor for platform at BMCs	USPS LR-H-77
1.844	piggyback factor for platform at non-BMCs	USPS LR-H-77
1.610	piggyback factor for opening units	USPS LR-H-77
1.405	piggyback factor for other mail processing	USPS LR-H-77

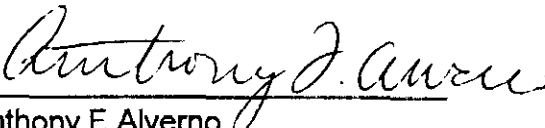
Estimation of Nontransportation Costs Avoided by Periodicals Nonprofit Flats Mail Entered at Destination Sectional Center Facilities and Delivery Units

4.0 Other Inputs

<u>Value</u>	<u>Description</u>	<u>Source</u>
\$25.45	TY clerk/mailhandler productive hourly wage rate	USPS LR-H-146
63.83	pieces per sack	Docket No. MC96-2, USPS LR-PRR-2
3,161.89	pieces per pallet	Docket No. MC96-2, USPS LR-PRR-2
11.13%	proportion of SCFs that are mechanized	52 of 467 SCFs-Witness Byrne, MC95-1, Exhibit USPS-T-11U, page 2
88.87%	proportion of SCFs that are not mechanized	415 of 467 SCFs-Witness Byrne, MC95-1, Exhibit USPS-T-11U, page 2
49.09%	proportion of mail in sacks	Docket No. MC96-2, USPS LR-PRR-2
50.91%	proportion of mail on pallets	Docket No. MC96-2, USPS LR-PRR-2
1.011	Base Year FY 96 premium pay factor	USPS LR-H-77
3.7088	FY 96 (TY) pieces per pound	1996 RPW
0.9713	FY 93 BMC realization factor	R94-1, Tr. 8/4006
96.86%	proportion of volume from DBMCs to DDUs via DSCFs	R90-1, Exhibit USPS-12B, p. 5
3.14%	proportion of volume from DBMCs directly to DDUs	R90-1, Exhibit USPS-12B, p. 5
2.414	piggyback factor for sack sorters at BMCs	USPS LR-H-77
1.942	piggyback factor for sack sorters at non-BMCs	USPS LR-H-77
2.125	piggyback factor for platform at BMCs	USPS LR-H-77
1.844	piggyback factor for platform at non-BMCs	USPS LR-H-77
1.61	piggyback factor for opening units	USPS LR-H-77
1.405	piggyback factor for other mail processing	USPS LR-H-77

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 28, 1997